

EXHIBIT 11

RODERICK GAGNE - Re: Next Steps with Royal

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From: RODERICK GAGNE
To: "MIME :AndrewNYao@aol.com"@GWDOM1.TFS
Date: Thu, Oct 28, 1999 11:42 AM
Subject: Re: Next Steps with Royal

Andrew,

I wanted to raise with you in a separate e-mail three issues that I have been thinking about.

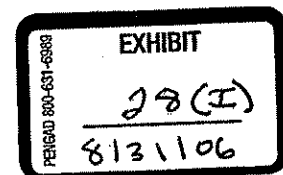
First, I want the Royal to commit more formally to the \$200,000,000 and may have them issue a master policy with smaller policies issued off of the main policy. Alternatively, I will have them issue to you a written binding commitment for the \$200,000,000 policy.

Second, I am not sure how you can have a lot of cap left on the warehousing lines and need the new policy. The old policy limit increased for prepaid loans for the first year. Thus, your warehouse lines are used up at \$75,000,000 unless they have been paid down for prepaid loans and/or defaulted loans. I assume that you must have had a lot of defaults to have any availability on the lines and no insurance. Is this true?

Third and finally is a structuring issue. The new policy is to have one escrow for each Policy. The problem arises when the pools only can have loans without any 30 day or more delinquencies. What do we do with these loans. I see two options. One, we keep accumulating the poor performing loans until they are big enough to issue a different term securitization. The poor performing loans would still be subject to the Royal policy. The loans should still get a decent rating just not Aaa, more like the single A of the Royal. Second the loans would be priced higher since the likelihood of prepayment would be greater. Probably no way you could issue an IO strip. The pool could have a floating rate, with a cap insurance. The other alternative is to force the term securitization to take all of the loans insured by a particular policy. This would effect pricing since the prepayment speed would be greater, however the principal would still be secure. I think we should think about these options sooner than later and determine if there is any market for these bonds since we do not want to have protracted selling periods like we are currently experiencing.

Finally, I did want to comment on the pricing of the bonds. 250bps over 5 year T-Bills. OUCH! That must be in the 8% range. At that level, you do not get much of an IO strip 1% if that. I guess we will have to wait and see what the new source and use says.

Call me or e-mail me, whichever is easier. I will let you know how things progress with the Royal. Good luck with the selling. Glad to see you are pushing the process along.
Rod



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